

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 AID-05 CEQ-01 CIAE-00 ERDA-07
COME-00 DODE-00 EB-07 EPA-04 INR-07 IO-13 L-03 NSF-02
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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 3021

INFO AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

UNCLAS SANTIAGO 0415

E.O. 11652: N/A

TAGS: EINV CI ENRG EMIN

SUBJECT: INVESTMENT IN MAGALLANES OFF-LIMITS TO FOREIGNERS

1. IN RINGING NATIONALIST TONES, PRESIDENT PINOCHET REAFFIRMED, IN A RECENT SPEECH, LONG STANDING GOC POLICY THAT NO FOREIGN COMPANY WOULD BE ALLOWED TO EXPLOIT OIL IN THE AREA OF THE STRAITS OF MAGELLAN. INSTEAD, ENAP, THE NATIONAL PETROLEUM COMPANY, WOULD BE GIVEN "TOTAL RESPONSIBILITY" IN THES STRAITS, RAISING THE NECESSARY CAPITAL ABROAD WITH A GUARANTEE FROM CORFO, THE STATE DEVELOPMENT AGENCY.

2. THE PRESIDENT DID NOT RULE OUT SERVICE CONTRACTS BY FOREIGN FIRMS. HE EMPHASIZED, FOR EXAMPLE, THE CONTRIBUTION THUS FAR OF THE DRILLING PLATFORM "NUGGET" OF THE (U.S.) DIAMOND TRADING COMPANY. MORE SIGNIFICANTLY, HOWEVER, WAS HIS DESCRIPTION OF OIL EXPLORATION IN THAT AREA AS TOO "DELICATE" TO ALLOW FOREIGN -- CAPITAL TO "INTERVENE."

3. THE PRESIDENT'S REAFFIRMATION RECALLS THE AMBIVALENCE DOMINANT IN CHILEAN ATTITUDES TOWARDS FOREIGN INVESTMENT. IN THE FIRST PLACE, THE OFFICIAL WELCOME EXTENDED TO FOREIGN INVEST-
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MENT HAS ALWAYS BEEN TEMPERED, IN THE MINERALS AREA, BY A CONCERN LEST AN IRREPLACEABLE PORTION OF THE NATIONAL PATRIMONY PASS OUT OF CHILEAN OWNERSHIP AND CONTROL. FOR THAT REASON, THE PRINCIPAL COPPER MINES WERE NOT RETURNED TO THEIR ORIGINAL FOREIGN OWNERS FOLLOWING THE CHANGE OF GOVERNMENT IN 1973. THE ISSUE OF WHETHER FOREIGNERS OR CHILEANS SHOULD EXPLOIT THE LARGER UNWORKED COPPER DEPOSITS IS STILL

THE SUBJECT OF DISPUTE WITHIN THE GOC. MANY, INCLUDING MILITARY, WOULD PREFER "NATIONAL" EXPLOITATION BY THE GOC WITH CAPITAL BORROWED FROM ABROAD.

4. IN ADDITION, HOWEVER, TO NATIONALIST REASONS SHARED IN VARIOUS DEGREES BY CHILEANS GENERALLY, THE LONG-ESTABLISHED BUREAUCRACIES IN CODELCO (THE STATE-OWNED COPPER COMPANY) AND ENAP VIEW FOREIGN COMPANIES AS POTENTIAL INTRUDERS ON THEIR PARTICULAR AND JEALOUSLY GUARDED TURFS.

5. FINALLY, PERHAPS REFLECTING BOTH THESE ATTITUDES, THE CHILEANS IN THEIR 1975-76 SOLICITATION OF BIDS DID NOT MAKE OIL EXPLORATION/EXPLOITATION IN AREAS OUTSIDE OF MAGALLANES SUFFICIENTLY ATTRACTIVE TO FOREIGN INVESTORS. NOT ONE OF THE 26 ODD RESPONDING FOREIGN COMPANIES WAS IN THE END WILLING TO MEEK CHILEAN TERMS. AN ONLY SLIGHTLY LESS LACKLUSTER PERFORMANCE CAN BE OBSERVED IN FOREIGN COPPER INVESTMENT, AS ELSEWHERE REPORTED.

6. CONCLUSION: PINOCHET'S SPEECH MAY HAVE BEEN SOMEWHAT COLORED BY HIS JUDGMENT OF WHAT WOULD IMPACT MOST UPON HIS AUDIENCE (THE SPEECH WAS DELIVERED IN PUNTA ARENAS WHICH SUFFERS BOTH ECONOMIC STAGNATION AND ISOLATION FROM THE MAINSTREAM OF CHILEAN LIFE). IT DOES, HOWEVER, THROW FRESH LIGHT ON THE FEELINGS OF AMBIVALENCE WHICH GO TO THE VERY HIGHEST LEVELS OF THE GOC AS TO WHETHER INVESTMENT OUGHT TO BE FROM FOREIGN OR DOMESTIC SOURCES.

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